

	November	December through the 11 th
Net Sales	42,600	14,600
Beginning Inventory	8,165	?
Purchases	32,546	11,354
Purchases Ret. & Allow.	250	95
Purchases Discounts	1,074	380
Transportation In	1,655	605
Ending Inventory	7,814	?

State – 2004 - Group 2

The Fly By Night Co. experienced a total loss due to an explosion and fire on December 12, 2003. The off-site computer tape backup provided the following data for the month of November 2003 and for December through the 11th day.

	November	December through the 11 th
Net Sales	42,600	14,600
Beginning Inventory	8,165	?
Purchases	32,546	11,354
Purchases Ret. & Allow.	250	95
Purchases Discounts	1,074	380
Transportation In	1,655	605
Ending Inventory	7,814	?

For question #7, write the correct amount on your answer sheet.

7. Using the gross profit rate for November, calculate the estimated ending inventory destroyed by the explosion and fire.

**Income Statement
For the Year Ended September 30, 2001**

	Red Company	Blue Company	Green Company
Revenues	96,000 (a)	69,000	\$80,000
Expenses	=- 78,000	71,000	(g)

=NI 18,000

**Owner's Equity Statement
For the Year Ended September 30, 2001**

	Red Company	Blue Company	Green Company
Capital, October 1	60,000	54,000	(h)
Net Income <Loss>	18,000	(d)	18,000
Drawing	(b)	10,000	5,000
Capital, Sept. 30	63,000	(e)	115,000

**Balance Sheet
September 30, 2001**

	Red Company	Blue Company	Green Company
Total assets	(c)	77,000	137,000
Total liabilities	27,000	35,000	(i)
Total owner's equity	63,000	(f)	115,000

PRACTICE WITH THE PRESENTER!

Accounting Secrets



Week Ending	Standard Hours	OT Hours	Gross Earnings	Social Security Tax	Medicare Tax	Federal Income Tax	Net Pay
1 st Qtr.			5,320.00	329.84	77.14	540.00	4,373.02
Apr 7	40	0	400.00	24.80	5.80	42.00	327.40
14	40				7.54	59.00	421.22
21	40		580.00	35.96	8.41	60.00	475.63
28	40			39.68		70.00	521.04
May 5	40			28.52	6.67	48.00	
12	40		700.00			72.00	
19	40		760.00	47.12	11.02	84.00	617.86
26	40		820.00			90.00	

A company's operating figures for three accounting periods are shown below:

	Period 1	Period 2	Period 3
Sales	\$ 62,480	\$ 54,620	\$ 58,270
Beginning Inventory	\$ 14,360	\$ 12,110	\$ 10,630
Net Purchases	\$ 47,734	\$ 42,216	\$ 47,636
Cost of Merchandise Available for Sale	\$ 62,094	\$ 54,326	\$ 58,266
Ending Inventory	\$ 12,110	\$ 10,630	\$ 11,650
Cost of Merchandise Sold	\$ 49,984	\$ 43,696	\$ 46,616
Gross Profit	\$ 12,496	\$ 10,924	\$ 11,654

The following errors were made in determining the ending inventory:

Period:	Error in Determining Ending Inventory:
1	Overstated \$2,630
2	Understated \$3,150

For questions 78 – 80, write the corrected amount of gross profit for each period.

78. Period 1

*79. Period 2

80. Period 3

Age Group	Accounts Receivable	Estimated Percentage Uncollectible	Estimated Uncollectible Amount
	Amount		
Not Yet Due	6285	2%	
1-30 days past due	4320	5%	
31-60 days past due	2465	20%	
61-90 days past due	1056	30%	
91-180 days past due	630	50%	
Over 180 days past due	450	75%	

Sales	264,850	Uncollectible Accounts Expense	0
Accounts Receivable	?	Allowance for Uncollectible Accounts	250
Sales Discounts	7,650	Sales Returns & Allowances	6,400

PRACTICE WITH THE PRESENTER!

Accounting Secrets

was recorded correctly. In 2022, the depreciation expense was recorded correctly using the double declining-balance method.

Account Title	Trial Balance		Adjustments		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Equipment						
Accum. Depr.—Equip.						
Income Summary						
Depr. Expense—Equip.			38,650			
Equipment Expense	6,000					

If presented a problem to calculate eqp. value using DDB method: 5 yr = 40%
 $V = \text{Eqp Value} \quad \text{Dep.Exp } 38,400 = 40\% (.60V) \text{ OR } .24 V \quad 38,400/.24 = \$160,000$

was recorded correctly. In 2022, the depreciation expense was recorded correctly using the double declining-balance method. (five-year useful life given in other text)

Account Title	Trial Balance		Adjustments		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Equipment						
Accum. Depr.—Equip.						
Income Summary						
Depr. Expense—Equip.			38,650	250 for 2 nd equip.		38,400
Equipment Expense	6,000					

Additional information needed:

- Accounts Receivable on 01-01-23 was \$40,000 and on 12-31-23 had increased by 12%
- Stockholders' equity on 12-31-22 was \$200,000
- Stockholders' equity on 12-31-23 was 20% of total assets on the same date
- Current ratio: 2.25 to 1
- Quick ratio: 1.5 to 1
- Gross profit percentage: 32%
- Return on sales: 2%
- Return on common stockholders' equity: 5%

Bright Corporation Balance Sheet December 31, 2023

Cash in Bank.....	\$ _____	Current Liabilities	\$ _____
Accounts Receivable	_____	Long-Term Liabilities ...	1,475,000
Merchandise Inventory.....	_____	Stockholders' Equity	_____
Prepaid Insurance.....	12,000		
Property, Plant & Equip.....	_____		
Total Assets	\$ _____	Total Liabilities and Stockholders' Equity	\$ _____

Bright Corporation Income Statement For the Year Ended December 31, 2023

Net Sales.....	\$ _____
Cost of Merchandise Sold.....	_____
Gross Profit on Sales	_____
Total Operating Expenses.....	_____
Net Income	\$ <u>15,000</u>

PRACTICE WITH THE PRESENTER!

Accounting Secrets

8% Preferred Stock, \$100 Par	\$250,000
Common Stock, \$5 Par	100,000
Paid-In Capital in Excess of Par—Common	140,000
Retained Earnings	565,000

Happy Pets, Inc. is authorized to issue 5,000 shares of \$100 par, 8% preferred stock and 100,000 shares of \$5 par common stock.

For questions 67 through 71, write the correct number or amount on your answer sheet.

67. How many shares of common stock have been issued?

* 68. Considering the fact that there has been only one issuance of common stock, at what price per share were the common shares sold?

A. Prepaid Expense	C. Accrued Expense
B. Unearned Revenue	D. Accrued Revenue

13. Fees collected in December by a CPA for an audit to be performed in January
14. Property taxes incurred for December that are due to be paid in February
15. A two-year premium paid on December 30 on an insurance policy
16. Cash received by a ballpark in January for season tickets to all home baseball games to be played in the summer
17. Fees for the completed tax return prepared by a CPA that has not yet been picked up by the client
18. Office supplies purchased in December that have not been used
19. Interest on an interest-bearing note receivable on December 31 that matures on February 14

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